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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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PART I

OF IMMEDIATE INTEREST

BERLIN SITUATION

The USSR last week appeared to be preparing new diplomatic maneuvers on Berlin. Soviet Ambassador Smirnov presumably disclosed the nature of Soviet plans to Chancellor Adenauer on 20 November. These probably will include official proposals to the Western powers calling on them to withdraw their forces from Berlin, to meet on a high level to revise Berlin's status and probably to recognize East German "sovereignty" over the city. Khrushchev declared on 14 November that the "Soviet Government is preparing an appropriate document on the status of Berlin."

Moscow is seeking to bolster its claim that the Western powers have nullified the legal basis for their presence in West Berlin by a long series of violations of the Potsdam Agreements. The Soviet Embassy in East Berlin on 18 November staged a press conference designed to dramatize long-standing Soviet allegations that the West has been using West Berlin as a base for "subversive activity" against East Germany and the satellites.

In articles on 17 and 18 November Pravda attempted to refute the Allies' position that their right to remain in Berlin rests on Germany's unconditional surrender rather than the Potsdam agreements and called for a "radical" solution of the Berlin problem.

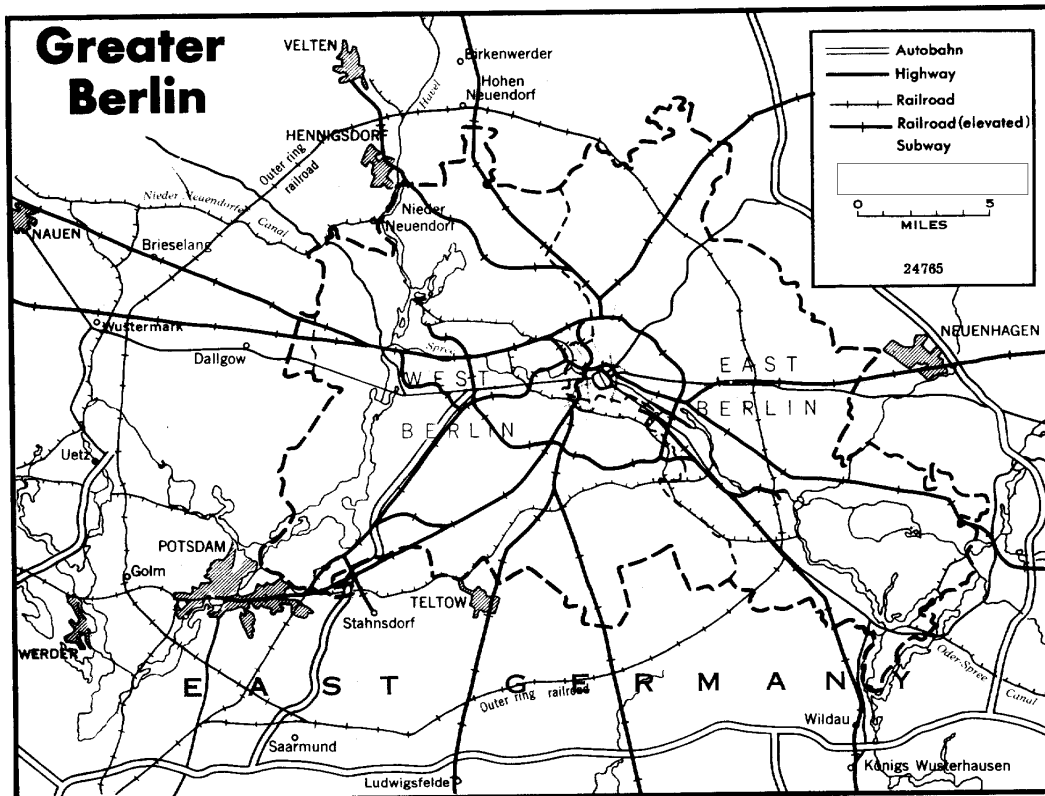
Khrushchev's "document" probably will seek to justify a subsequent transfer of Soviet control of Allied access to Berlin to the East Germans. Khrushchev hinted in his 14 November speech that his new proposals would be addressed to all



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the countries that fought against Germany and Italy, thus raising the possibility that the USSR will call for a general peace conference to discuss a revision of Berlin's status as part of a broader German settlement.

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Further hints as to the general nature of new Soviet proposals appeared in the Peiping People's Daily on 15 November. An editorial declared that a withdrawal of foreign troops from Berlin "would be a good start toward the withdrawal of foreign troops from the whole of Germany." It also stated that "unification" of Berlin would improve relations between East and West Germany and facilitate solution of the unification problem by the German people themselves.

The Soviet leaders probably expect the Western powers

to reject any proposals which abandon the principle of four-power responsibility for either Berlin or German reunification. They may believe that Western rejection would serve as a pretext for subsequent unilateral action by the USSR with respect to Berlin. Khrushchev's plan reportedly is to give an aura of legality to its granting full sovereignty to East Germany by offering to conclude a German peace treaty. If the treaty offer is rejected and negotiations fail, Khrushchev would then unilaterally turn over Soviet functions in Berlin, thus forcing the West to deal with the East German regime.

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The East Germans are strongly echoing Soviet demands that Berlin be turned over to them, although they are making some effort to appear reasonable. The release by East Germany of an American citizen held since 17 October was probably intended as a conciliatory gesture.

Moscow appears determined to push ahead with plans to transfer certain functions to the East Germans, and Soviet - East German negotiations to this effect may soon take place. Premier Grotewohl's statement on 14 November that he would be "abroad" on 11 and 13 December backs up reports that a meeting will take place in Moscow in December. The legal transfer may take the form of a new agreement revising or abrogating the Bolz-Zorin exchange of letters of 20 September 1955. Under these documents, the USSR retained control "for the time being" over the transit through East Germany of personnel and vehicles of Allied garrisons in West Berlin. The cessation of East German payments in support of Soviet occupation troops, set for January, might afford an appropriate occasion for some bilateral transaction underlining East German "sovereignty."

Moscow's first move to transfer its functions may be the withdrawal of the Soviet Kommandatura from Berlin and the transfer to East Germany of actual control of check points on access routes to West Berlin. This might be accompanied by efforts to replace Soviet representatives by East Germans at

the Berlin Air Safety Center. An East German international lawyer has already alleged that the West is using the air corridors illegally and has asserted the West would have to negotiate with East Germany to enter the city by ground or air.

Although the USSR has not yet handed over any of its functions, US officials report that East German railway police stood by while Soviet officials examined Allied documents at the Marienborn check point, possibly indicating that the USSR will soon transfer these functions to East Germany. Moreover, although Soviet officials permitted American Army personnel and vehicles held on 14 November to return to West Berlin, the political adviser of the Soviet commander in chief on this occasion declared that Soviet authorities intend to exercise their "right" to inspect covered vehicles belonging to the Allied garrisons. The immediate prospect therefore appears to be further harassment of Allied access.

West European Reaction

West German officials, fearful that East German harassment of West Berlin will again threaten the city's economic welfare, point out that continued prosperity may have sapped the Berliners' will to resist. They also are concerned that the gradual introduction of a "slow blockade"--each step appearing inconsequential--may not evoke sufficient Western reaction to

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halt it. To date, however, Berliners have remained calm and there has been no panic buying.

The NATO members, in agreeing on 17 November on a firm Western stand in the face of Soviet threats to Berlin, stressed the need for caution with respect to possible Soviet probing tactics designed to provoke incidents. The British and French are willing to undertake an airlift if necessary, but the British Foreign Office doubts the effectiveness of such action in the long run. French willingness to participate in an airlift to a greater extent than in 1948 implies a preference for a technical demonstration rather than a military reaction. Chancellor Adenauer has implied Bonn

would apply economic countermeasures, but the German Foreign Ministry feels that Bonn's capacity for such measures is limited.

Bonn would probably react strongly to even de facto dealings with East Germany, as they would undermine Chancellor Adenauer's entire foreign policy, which is based on Bonn's claim to represent all of Germany. Western contacts with East Germany would also increase sentiment within all West German political parties favoring direct political talks with East Germany. Full diplomatic recognition of East Germany by any of the Western powers would isolate Adenauer and could force a modification of Bonn's whole European policy.

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**NEW SOVIET SEVEN-YEAR PLAN**

The theses on the Soviet Seven-Year Plan (1959-65) presented by Premier Khrushchev to a meeting of the party central committee in Moscow on 12 November reaffirm the priority schedule adopted by the leadership during the past several years.

The proposals show the new plan to be more realistic than its predecessor, the abandoned Sixth Five-Year Plan. The planned average annual industrial growth rate of 8.7 percent is believed feasible. The new

agricultural goals for 1965, while still overly ambitious, are more reasonable than before and are generally the same as those projected for 1960 by the Sixth Five-Year Plan. This extension of goals is a considerable step toward more realistic agricultural planning.

Khrushchev claims that within five years after the Seven-Year Plan period, the USSR will lead the world in per capita industrial output. In making this prediction he apparently is assuming, as have recent

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articles in Soviet journals, that in 1958 Soviet industrial production will be 50 percent of that of the United States; that American industrial production will grow at about 2 percent per year, the rate for the period 1953-57; and that Soviet industrial growth will proceed through 1970 at the proposed rate for the Seven-Year Plan.

Actually Soviet industrial production will probably be somewhat less than 40 percent of American output in 1958. Furthermore, a longer and perhaps more representative base period for the United States--for example, 1948-56--would show a rate slightly above 4 percent. Using this rate and accepting the Soviet schedule for its own industry, Soviet industrial production would be only about 60 percent of that of the United States by 1970.

Industry

For the most part, the industrial goals presented in Khrushchev's theses confirm that Soviet industry is scheduled to grow at a rate below that achieved in the previous seven years. Even if the regime hopes that the presently announced industrial goals are overfulfilled, as they were in the past three years, the 11-percent rate of growth believed to have been achieved in the 1950-55 period will probably not be realized. The new program, nevertheless, is an impressive one; by 1965 the output of many basic raw materials and industrial products will approach and in some

cases exceed that in the United States and will provide the basis for a major propaganda campaign.

The new plan anticipates a shift from coal toward greater use of crude oil and natural gas. These fuels, which provided less than a third of the energy consumed in the USSR this year, will provide more than half in 1965.

The pig-iron and crude-steel targets are ambitious, although probably feasible. However, problems which have har-

## SOVIET SEVEN-YEAR PLAN

**LOWER PLANNED GROWTH RATES**

1952-1958 (ACTUAL)	(ANNUAL AVERAGES)	1959-1965 (PLAN)
11.5	GROSS INDUSTRIAL OUTPUT	8.7
12.2	PRODUCER GOODS	9.3
9.9	CONSUMER GOODS	7.3
15.2	CRUDE OIL	11.0
8.5	COAL	2.6
9.6	METAL CUTTING TOOLS	5.4
8.5	STEEL	7.0
12.2	ELECTRIC POWER	11.8

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assessed the ferrous metallurgical industry for the last several years--inadequate supplies of iron ore, insufficient production of metallurgical equipment, and unduly long periods for mine and plant construction--must be solved if the crude-steel goal of 86,000,000 to 91,000,000 tons in 1965 is to be achieved. The planned increase in the share of investment going to ferrous metallurgy confirms the leadership's determination to solve these problems. While the plan calls for a lower annual rate of growth of crude-steel output

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than that achieved during the last seven years, the required average annual increment to output is 4,500,000 to 5,100,000 tons compared with an annual 3,400,000 over the last seven years. During the period 1952-

As a whole the output of the machinery and metalworking industries is to grow at an annual rate of about 10 percent, as compared with over 15 percent claimed during the previous seven years. Reflecting the

emphasis on fuels and raw materials, however, the rates of growth of power-generating, chemical, and rolling-mill equipment are scheduled to increase substantially.

**USSR: STRUCTURE OF STATE CAPITAL INVESTMENT**

(Figures in parentheses are estimates)

	1952-58		Seven-Year Plan (1959-65)	
	Billion 1955 Rubles	Percent of Total	Billion 1955 Rubles	Percent of Total
"Productive" Investments				
Ferrous Metallurgy	42	3.9	100	5.1
Chemical Industry	(28)	2.6	100-105	5.2
Oil and Gas	73	6.8	170-173	8.8
Coal	62	5.8	75-80	4.0
Power and Transmission	75	7.0	125-129	6.5
Lumber, Paper, and Wood Processing	29	2.7	58-60	3.0
Construction and Construction Materials Industries	62	5.8	110-112	5.7
Light and Food Industries	40	3.7	80-85	4.2
Other Industry, including Machine Construction, Non-ferrous Metallurgy, Defense Industries	(165)	15.8	(282)	14.4
Total Industrial	(580)	54.1	(1,100-1,126)	56.9
State Agriculture*	(125)	11.7	150	7.7
Rail Transport	60	5.6	110-115	5.7
Other "Productive," including Other Transport, Communications, Science, Trade, and Government	(56)	5.2	(128-122)	6.4
"Nonproductive" Investments				
Housing and Communal Projects	208	19.4	375-380	19.3
Education	29	2.7	52	2.7
Culture and Health	14	1.3	25	1.3
TOTAL	1,072	100.0	1,940-1,970	100.0

\*Total agriculture investment, including investment of collective farms, will be 435 billion rubles under the Seven-Year Plan, compared with 260 billion over the last seven years.

Production of metalworking machinery will increase at half the previous rate, but heavy emphasis on specialized machine tools will provide a growth rate for these items double that for metalworking machinery as a whole. The 1965 level of machine tool production, which is the same as the original 1960 goal, will provide a surplus for export.

The share of investment going to chemicals is approximately double that of the past seven-year period. Heavy emphasis is placed on the production of artificial fertilizers and of synthetic materials. Fertilizer output is scheduled to approach 37,000,000 metric tons annually, well above

58, the capacity of the American steel industry increased by about 34,500,000 metric tons compared with the Soviet output goal for the next seven years of 31,000,000 to 34,000,000 tons.

current American levels, and may significantly improve agricultural yields. Fulfillment of the chemicals plan will depend in large measure on the success in developing the petrochemical industry. This is an area in

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which the USSR has traditionally lagged, and achievement of the target seems improbable unless substantial assistance in the form of petrochemical technology and equipment is procured from the West.

Despite promises in the proposed plan that per capita output of textiles, clothing, footwear, and some food products will reach or even surpass Western levels by 1965, the output of consumer goods as a whole will remain far below Western levels and will grow more slowly--7.5 percent annually--than during the past seven years--9.7 percent. The prospect in agriculture partly accounts for this slowdown.

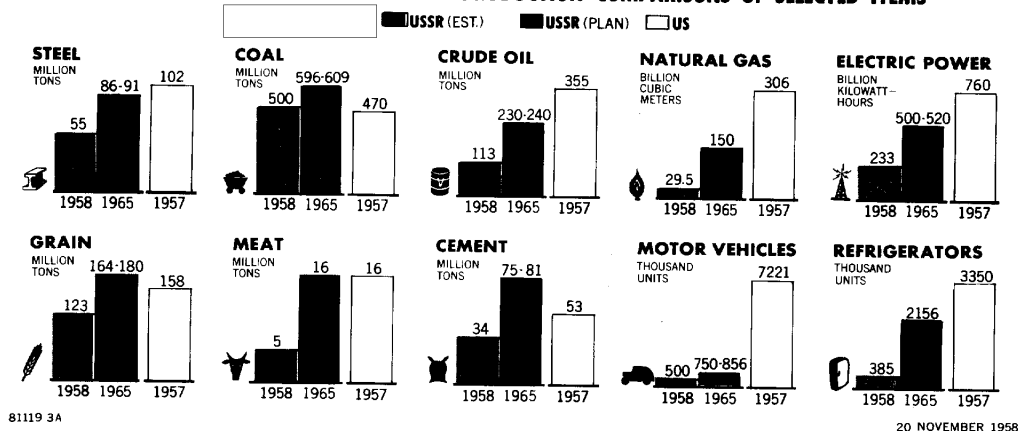
**Capital Investment**

State capital investment during 1959-65 is planned to total 1,940 to 1,970 billion rubles. When investment by the collective farms--almost 350 billion--and other investments outside the plan are added, total capital investment may approximate 2,500 billion rubles--\$385 billion if converted at an investment rate of 6.5 to 1,

based on 1956 rubles and dollars.

The proposed rate of investment growth averages 8 percent per year, as compared with a 10-percent average during the last seven years. The volume of investment in construction work, which was unusually high in 1957 and 1958, will increase at a rate lower than 8 percent, while investment in plant equipment will proceed at a rate higher than 8 percent.

The ratio of "nonproductive" investment (housing, communal projects, and social-cultural expenditures) to "productive" investment remains approximately the same as in the preceding period, although the share of industry will increase from 54 percent to 56 percent. Shares will increase for ferrous metallurgy, chemicals, oil and gas, and will drop for the coal industry and the machine construction industries. Over-all investment in housing and agriculture will remain about the same share of total investment as in recent years when considerable emphasis was placed on their development.

**SOVIET SEVEN-YEAR PLAN: PRODUCTION COMPARISONS OF SELECTED ITEMS****SECRET**

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**Labor**

The proposed plan calls for an increase of about 11,500,000 in the number of workers and employees in the Soviet economy, bringing the total in 1965 to over 66,000,000. During the past seven years the number of workers and employees increased by 13,900,000. Population growth and a continuation of past school programs would provide an increase of about 7,000,000 men in the total civilian labor force over the next seven years, compared with an increase of 9,800,000 during the last seven years.

The regime is heavily committed to a promise to reduce hours of work and has reaffirmed such an intention in its Seven-Year Plan announcement. Recent and prospective changes in the educational system are in part designed to free additional young people for employment in industry. The net effects of these changes are as yet unclear, but they will probably provide an additional 1,000,000 workers and perhaps more to the labor force.

This implies that some transfer of workers, possibly as many as 3,000,000, from agriculture to nonagriculture will take place. One of the aims of present programs in agriculture is clearly to increase productivity in this area so as to permit the release of workers to industry. The regime may also find it expedient to reduce further the size of the armed forces.

**Agriculture**

The plan for agriculture, which calls for lower rates of growth than those of the Sixth Five-Year Plan, calls for increases in production which generally will be difficult or impossible to achieve--assuming average weather conditions--under the agricultural programs adopted to date. The major new-lands expansion has been completed and much of the gain possible from the corn program has been achieved. Incentive measures and organizational changes may have some further effect on output, but not of the magnitude of the new-lands and corn programs.

Khrushchev's theses suggest that the Soviet leaders may have further agricultural programs in mind, particularly with respect to increasing yields. Khrushchev referred, for example, to the "better utilization of the highly fertile lands in the zone of reliable and stable rainfall." Taken together with planned high investment and the very large planned increase in the output of mineral fertilizers, this statement suggests that new programs may be contemplated for the European USSR.

**The Consumer**

Even though the performance in agriculture will probably fall short of plan, some increase in consumption of high-protein foods will be possible. Nevertheless, in terms of both consumer goods output and prospective increases in real wages,

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the Soviet citizen will experience a slower rate of improvement through 1965 than in the preceding seven years. The output of light industry--textiles, clothing, and footwear--is to increase at an annual rate of 6 percent for the next seven years in contrast with an 8.7-percent increase claimed for 1952-58, and quality will remain below American standards.

Although large percentage increases are planned in the production of durable consumer goods, especially household appliances, the output of most such items at present is so low that 1965 production will still be far below that of the United States both on an absolute and a per capita basis.

The brightest outlook for the consumer lies in housing, where the volume of urban housing construction is scheduled to nearly double that achieved during 1952-58. This goal is aimed at providing a minimum of 100 square feet of living space per person by 1970, still below Western European levels. The regime, however,

probably has underestimated the investment resources required for housing construction as it did in the Fifth and Sixth Five-Year Plans. Underestimation--believed to be at least 15 percent--could necessitate either a reduction of the housing goal or an increase in investment in this area.

Transport

Railroad transport continues to be emphasized in the USSR, and in 1965 Soviet railroads will still move over 80 percent of intercity freight. The ambitious program of electrification and dieselization will continue. Although the Soviet civil air fleet continues to be publicized and the new civil air plans include the construction and improvement of 90 airfields, presumably to accommodate jet aircraft, the planned target for passengers carried for 1965 is only about one third as great as the number American airlines may be expected to carry that year. Motor vehicle transport will remain at a low level, as will water transport.

(Prepared by ORR)

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## THE SUDAN

The military coup staged under the leadership of Lieutenant General Ibrahim Abboud has encountered no opposition.

the southern Sudan, traditionally suspicious of domination by Moslem

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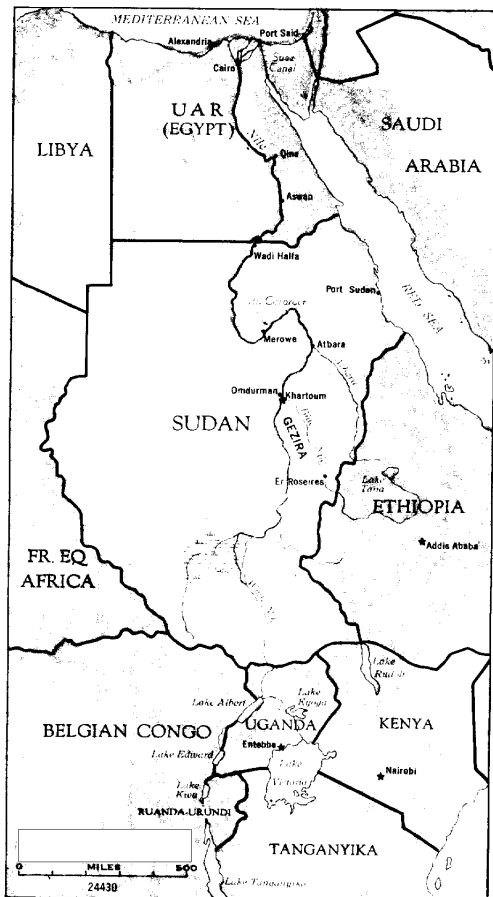
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northerners and the scene of a rebellion three years ago, is normally slow to react. While the regime has included one southern representative among the five civilians in the new cabinet, the southerners may well feel they have lost influence by the abolition of the parliament in which they often swung the balance.

The structure of the government now has been outlined. It consists of two bodies: a 13-man supreme council and a 12-member cabinet. The seven most senior army officers are members of both bodies. Abboud himself is head of the supreme council, prime minister, and

minister of defense. The membership of the council is rounded out with other army officers, and the cabinet was completed with the appointment of five civilian "technicians."

General Abboud justified the coup by claiming the government needed to be purged of



self-seeking politicians. Members of former Prime Minister Khalil's Umma party, and the Ansar sect's leader al-Mahdi, publicly indicated support for the new regime.

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They nonetheless are hoping for the best in the belief that Abboud and his associates are "loyal Sudanese" first.

There is no indication that the UAR played a role in the coup,

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One of Abboud's first statements, however, promised that the new regime would seek to improve relations between the Sudan and "sister UAR."

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Both Geneva conferences remain deadlocked over agenda issues. At the ninth meeting of the conference on a nuclear test cessation agreement, Soviet representative Tsarapkin introduced a second revision of his draft agenda. Essentially the same as the draft presented on 11 November, the new proposal calls for agreement by the delegations to prepare two documents, one a treaty to stop tests and the other a "protocol" on a control system. The Soviet delegation has evaded the question of the precise relationship between these documents.

The USSR's insistence that an agreement on test cessation and the provisions of a control system be embodied in separate documents reflects Moscow's principal aims in the Geneva talks. First, the USSR apparently believes this approach will facilitate its efforts to sharpen the contrast between its demand for a permanent and unconditional cessation and the Western proposals for a conditional suspension stressing the necessity of prior agreement on a control system. Moscow is maneuvering to place itself in the strongest possible position so that in the event of a breakoff, it can charge that Western insistence on the priority of the control issue is an artificial device to evade an agreement to end testing.

The Soviet demand for two separate documents also is intended as a safeguard against any unexpected Western concessions which would seriously embarrass the Soviet leaders. Moscow has shown considerable

caution on the nuclear test issue since the United States and Britain proposed a conditional one-year suspension last August. The Soviet leaders recognized this proposal as a major challenge to their whole strategy.

The refusal of the Soviet delegate to discuss controls until a basic agreement on a permanent cessation of tests has been reached is a reversion to the position taken by Moscow prior to its agreement last May to attend the Geneva talks on test detection which held that negotiations on the control of any aspect of disarmament could come only after agreements have been concluded in principle.

The USSR's performance in Geneva to date suggests that its fundamental aim there, as at last year's London subcommittee talks, is to force a clear-cut showdown with the West on the issue of an unconditional test ban separate from all other aspects of disarmament. The Soviet attack continues to be aimed at what Moscow considers the most vulnerable points of the Western position--making a test cessation conditional on the implementation of other measures such as a control system, limitation and reduction of production of fissionable materials for weapons purposes, and reduction of conventional armed forces.

The Soviet news agency TASS on 15 November carried the full text of the original five-part Soviet draft agreement calling for cessation of tests, with only vague language on a control system. Despite this violation of the agreement to keep the talks secret, Moscow

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has not indicated any desire to break off negotiations.

Surprise Attack

The Soviet delegation at the talks on measures to prevent surprise attack continues its efforts to focus debate on broad political issues. In the 17 November meeting Kuznetsov reasserted Soviet objections to the Western working paper, again charging the West with intentions of using any inspection system for intelligence gathering.

Kuznetsov reiterated past Soviet charges against United States SAC bomber flights in the direction of frontiers of other states. He introduced a draft proposal recommending that the participating governments prohibit flights of aircraft carrying nuclear weapons over the territories of other countries and over open seas. The draft declares this practice increases the danger of surprise attack.

Both on 17 and 18 November the Communist delegation insisted that any joint communiqué include a reference to the Soviet proposal. Kuznetsov threatened that if no agreement were reached, each side would have to publish its own version. Both sides have made concessions on the communiqué but this wrangling may develop into an almost daily problem.

It seems likely that after the subject of aircraft flights is exhausted, the Communists will give similar treatment to other standard Soviet proposals, such as elimination of foreign bases, banning of nuclear tests, and reduction of armed forces. Thus, Moscow has begun its battle to present proposals of a political nature to blur the focus of the talks, thereby avoiding serious discussion and conclusions on the practical aspects of an inspection system.

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**SOVIET CENTRAL COMMITTEE PLENUMS**

Khrushchev's firm control over the Soviet party and state was again forcefully demonstrated at the 12 November central committee plenum which approved his draft Seven-Year Plan and his reforms of the educational system. In his speech to the plenum, Khrushchev for the first time branded Bulganin a member of the "antiparty group." This came almost 18 months after the group's original members--Malenkov, Molotov, Kaganovich, and Shepilov--had been demoted and

banished, and at a time when Bulganin was no longer a political factor. Khrushchev's castigation of the former premier is probably his way of re-emphasizing, as he launches a vast new economic plan, the hazards of foot-dragging and "conservatism."

There also seemed to be overtones of political revenge, however. On 17 November Pravda claimed that the "antiparty group," including Bulganin, had tried to delay the development

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of the Soviet state and to steer it away from the "Leninist path" adopted at the 20th party congress in 1956. A day later, Western press sources reported from Moscow that Bulganin had been removed from the chairmanship of the economic council in Stavropol Kray, a minor post to which he was relegated last August. If this report is true, Bulganin has probably already lost his membership on the central committee, his last remaining party post. The other members of the "anti-party group" were deprived of central committee seats at the time of their ouster from the party presidium.

The announcement that presidium member Nikolay Belyayev has been removed from the party secretariat regularizes a situation which has apparently existed since December 1957, when he was transferred from Moscow to become first secretary in Kazakhstan. It now appears that Belyayev was sent by the Kremlin to central Asia on a trouble-shooting mission; his successes, particularly in agriculture, were probably major factors in the decision to assign him permanently to his position.

While the announcement does not appear to presage any further change in Belyayev's status, its timing suggests that Khrushchev has begun the political maneuvering which inevitably precedes a party congress and may even be the first hint of impending personnel changes.

Another central committee plenum is scheduled to meet next month to discuss agriculture. This meeting will probably set the line for the forthcoming all-union collective farm congress--the first since 1935. Problems of collective and state farm organization may be on the agenda, and a program to increase yields in the traditional Soviet farming areas may also be initiated.

The December meeting may also consider other matters. While there are as yet no hints as to what other subjects might be discussed, any last-minute changes in the program to be presented to the party congress would likely be made at this time. Bulganin's removal from the central committee might be announced; less likely, although still a possibility, is the appointment of a new central committee secretary to fill the vacancy caused by Belyayev's transfer.

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## SOVIET EDUCATIONAL REORGANIZATION

Except for minor variations, the report on the planned reorganization of the Soviet educational system published on 16 November follows the lines laid down by Khrushchev in his memorandum of 21 September. After a "nationwide discussion," the proposals will be adopted by the Supreme Soviet, probably early next year. The change-over to

the new system will begin with the 1959-1960 school year and will be completed in four to five years.

It will be 10 months from the time Khrushchev proposed the scheme last March to the probable time of its adoption early in 1959. This lengthy discussion period is in sharp contrast to

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the brief discussion periods allowed for Khrushchev's other major reorganizations.

Ambassador Thompson in Moscow is inclined to believe that the adoption of these changes is likely to engender more opposition to Khrushchev personally than any other step he has so far undertaken since his assumption of power. Thompson comments, however, that this opposition is likely to be ineffective, since it will be largely confined to some factory managers, intellectuals, and members of the bureaucratic elite, while the changes will be supported by a large proportion of the masses as well as by the party.

The distaste many secondary-school graduates feel for physical labor is again cited in the theses as evidence of the inadequacies of the existing school system. The Soviet public is reminded it is a "very far-reaching error" to believe that automation will mean the end of manual labor, or that Communism will mean "a gentleman's life in which laziness and idleness reign." The need for physical labor will remain regardless of the degree of progress achieved. The theses add another reason for the reorganization, heretofore only hinted at--the "increasing difficulties" in finding jobs for secondary-school graduates and the resultant dissatisfaction among a considerable number of young people and their parents.

The theses outline the changes in greater detail. For most 15- to 16-year-olds, compulsory eight-year schooling is to be followed by "socially useful work in production." However, those with the will and stamina can continue their education in evening or correspondence courses. Shorter workdays or days off during the workweek are proposed for those students who can successfully combine

work and study. The special schools for children gifted in music, choreography, and the visual arts are to be retained, and similar schools are being considered for gifted students of mathematics, physics, chemistry, and biology. Graduates of these special schools are to go directly into appropriate higher educational institutions without being detoured into production work.

Both polytechnical schools and boarding schools are also to be retained. The latter, established only recently, received especially high praise in the theses, being described as creating "the most favorable conditions for the education and Communist upbringing of the rising generation."

Higher educational institutions receive greater attention in the theses than Khrushchev gave them in his September memorandum. Despite the emphasis on "productive work," universities are called on to increase "considerably" in the next few years the number of graduates in mathematics, biology, biophysics, biochemistry, physiology, genetics, chemistry, and physics. The number of well-qualified graduates in these fields will not be permitted to be lowered.

Not only are the students of higher institutions to devote time to production work, but it is recommended that qualified professionals in industry and agriculture be released part time from their jobs to teach, while teachers are periodically to leave their teaching to work in "the national economy." Collective farms are urged to allocate funds for the education of their youth in vocational schools; sovnarkhozy, factories, and other organizations are directed to allocate paid posts for working students.

(Concurred in by OSI)

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**POLAND'S POSITION WITHIN THE SOVIET BLOC**

Polish party leader Gomulka's statements during his visit to the USSR from 24 October to 12 November convey the impression that he and Khrushchev reached complete understanding of each other's positions. Gomulka apparently has no intention at this time, however, of changing those aspects of his internal policies which set Poland apart from the other satellites. He reportedly remarked prior to his departure for Moscow that the major aim of his trip was to allay Soviet suspicions of the Polish "road to socialism."

Gomulka appears to have made a serious effort to accommodate himself to Khrushchev's foreign and ideological policies, but at the same time he apparently convinced Khrushchev of the need to tolerate, if not approve, Poland's internal program. Gomulka made no public concessions on basic aspects of his domestic plans. Although little was said about economic aid, Khrushchev may have held out the prospect of increased assistance for Poland if Gomulka would adopt a line more emphatically in opposition to the West and in accord with Moscow.

During the trip, Gomulka repeatedly stressed that the unity of the Soviet bloc and the fraternal relations with the USSR are the bases of Polish policy. His speeches exhibited an anti-American and anti-West German attitude which exceeded in bitterness anything he had said before. In contrast to the many "peace initiatives" of the USSR and the "socialist camp," Gomulka alleged that there was danger in the "aggressive tendencies of international imperialist circles," particularly the United States. In addition, he specifically endorsed Khrushchev's position on revising the status of Berlin.

Taking a very tough line toward West Germany--which until quite recently was considering the establishment of closer relations with Poland--Gomulka vehemently assailed Bonn's "militaristic and revisionist" policies. He clearly reflected Polish fear of Germany in warning that any attempt to alter Poland's western border would threaten the peace of Europe and the entire world. Poland now has in the Soviet Union "an infallible friend and ally" against Western aggression, Gomulka asserted. In the same vein, the Polish first secretary condemned American Far Eastern policy and charged the United States with armed interference in Chinese internal affairs.

Gomulka also took a strong line in support of Khrushchev's position on Yugoslavia, terming Belgrade's present course "revisionist." While admitting the possibility that Yugoslavia might some day abandon its present "false road" and again take its place in the family of "socialist" countries, he stressed that the initiative for change must come from Belgrade.

Reacting sharply to Gomulka's attack, Belgrade's Borba charged that the Poles have assumed the role of a "distinguished fighter against Yugoslav revisionism." The Yugoslavs undoubtedly see Gomulka's behavior in Moscow as a serious blow to the effort to maintain some influence in the bloc. While Belgrade's relations with Warsaw are not likely to sink in the near future to the level of its relations with the rest of the bloc, Yugoslav disenchantment with Gomulka, which began with his entry into the anti-Yugoslav campaign in June, is now virtually complete.

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**SOVIET-IRANIAN RELATIONS**

Relations between the USSR and Iran, which cooled noticeably after the coup in Iraq on 14 July, have recently deteriorated further as a result of Moscow's efforts to forestall the conclusion, or at least to limit the scope, of an Iranian-American defense agreement. Moscow, increasingly displeased with Iranian policies, appears ready to switch from its three-year "friendship" policy to open hostility to the present regime.

Premier Khrushchev's attacks on Iran in two speeches this month indicated Soviet displeasure over Tehran's rejection on 8 November of the allegations contained in Moscow's 31 October note on the defense agreement. Speaking on 10 November at the Soviet-Polish friendship meeting in Moscow, Khrushchev warned Iran that by placing its territory at the disposal of an "aggressor group," it "virtually" committed an aggressive act against the USSR. The 31 October note had warned Iran against "courting misfortune" and, using a now-standard formula, stated that the USSR "will not remain indifferent to the conclusion of an American-Iranian military agreement which will place the southern frontiers of the Soviet Union in direct danger."

On 14 November, in a speech to Soviet military academy graduates, Khrushchev launched a thinly veiled attack on the Shah of Iran, alleging that "kings and rulers" of countries in partnership with the West "have begun to tremble; it is not Communism that frightens them, nor the Soviet Union, but their own people." Khrushchev's remarks appear to augur a greater degree of open Soviet encouragement of activity against the Shah.

Since initiating its "friendship" campaign toward

Iran early in 1956, Moscow has occasionally criticized Iranian policies but has persistently courted the Shah. In July 1958, however, after Soviet-Iranian relations became cool, an East German radio station began to beam to Iran anti-Shah broadcasts favoring the outlawed Tudeh (Communist) party. Recent Communist overtures to the Kurds, a substantial number of whom live in northwestern Iran, have also heightened psychological pressures on the Shah.

The departure from Tehran of Soviet Ambassador Pegov, who left to attend the 12 November central committee plenum was represented locally as being a sign of Soviet displeasure with Iranian policies.

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Moscow's war of nerves against Iran may be broadened to include a propaganda campaign inciting domestic fears of Soviet atomic reprisals, similar to those campaigns carried out against NATO countries a year ago. Khrushchev, in his 14 November speech, warned that one can "press a button and whole cities will be blown sky-high; whole countries can be destroyed."

Moscow claimed that Secretary McElroy's visit to Tehran was linked with American plans to establish bases in Iran from which an atomic attack could be launched on the USSR. The Soviet effort to increase economic ties with Tehran has been stalled by lack of Iranian interest in Soviet economic assistance overtures and by Iranian failure to implement economic agreements already concluded.

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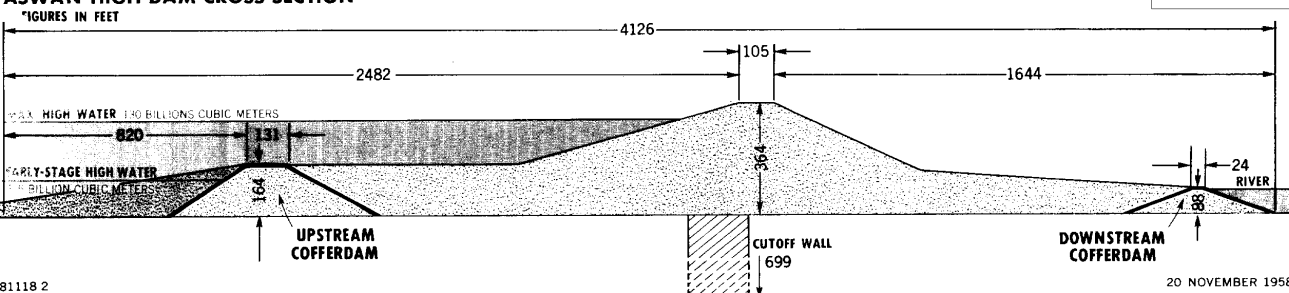
**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****20 November 1958****FIRST-PHASE PLANNING ON ASWAN HIGH DAM**

Recently published details for the first stage of the UAR's Aswan High Dam project indicate that it should produce on its scheduled completion in four years a substantial portion of the benefits to be derived from the entire 12-year project. Soviet aid will cover virtually all of the foreign exchange costs--\$100,000,000 of a total of about \$116,640,000--of the first construction phase of the project. Completion of this phase will result in an addition to Egyptian agriculture of up to a million acres of perennially irrigated land and the conversion of about 700,000 acres from flood to perennial irrigation. The first phase, however, will not provide for

ultimately be incorporated in the High Dam proper. The upstream cofferdam will hold back about eight billion cubic meters of water--the existing Aswan Dam stores 5.3 billion cubic meters of water. Ultimately the High Dam will hold 130 billion cubic meters--three times the volume of the Hoover Dam's Lake Meade--and create a reservoir about 340 miles long. The last 100 miles of this reservoir would extend into the Sudan, making relatively urgent a settlement of the UAR-Sudanese dispute over the distribution of Nile waters and compensation for the flooded area.

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Soviet technicians are re-

**ASWAN HIGH DAM CROSS SECTION**

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storage from year to year, and a large portion of the newly irrigated areas would be without adequate water in years of low Nile flood.

While the first phase will result in a small addition to electric power generated by the existing Aswan Dam, the major power increases will not come about until the High Dam itself is complete. In the first phase, two cofferdams will be built--one upstream and one downstream--close to the construction site of the main dam--and seven diversion tunnels will be constructed. Both cofferdams will

ported in southern Egypt to study the project.

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By constructing the first phase, which will yield the

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greatest impact the soonest, Moscow will receive the maximum propaganda, regardless of who finances the High Dam proper. The area newly irrigated by this phase should provide farm land for up to 150,000 new landowning families--totaling over a mil-

lion persons--under the Cairo government's land-distribution schemes. This would be a third more than the total acreage distributed under Nasir's widely propagandized land-reform program instituted in 1952.

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**UN DEBATE ON CYPRUS QUESTION**

In the UN General Assembly debate on Cyprus, scheduled to begin around 24 November, Greece will seek passage of a resolution guaranteeing independence for Cyprus without a specified time limit. Greek Foreign Minister Averoff stated on 15 November that if the UN endorsed--however vaguely--this principle, Athens would anticipate renewed discussions in NATO in December. Greece seems confident of obtaining majority support for its proposal if the United States does not actively oppose it either in meetings or "in the corridors."

Britain hopes a compromise resolution develops which would set the stage for a conference among interested parties. It plans to initiate a strong draft proposal of its own, calling for an end to terrorism and endorsing its recent efforts toward a resolution. By introducing a strong resolution at the outset of debate, London hopes to generate support for a compromise which would merely have the United Nations endorse a conference.

Turkey is publicly committed to the partition idea.

Ankara is adamant in its opposition to the independence concept because it suspects that in Greek strategy "independence" is a mere guise for eventual union of Cyprus with Greece. Moreover, Turkish Cypriots profess to fear that their minority rights would not be recognized in an "independent" Cyprus.

Since this is Greece's fifth attempt to obtain a definitive UN statement on the future of Cyprus, some UN members believe further debates on the subject in the United Nations would only "prolong the agony, stir up more hatred, promote violence, and, if left to continue as at present, come no closer to solution." Some UN members, particularly other NATO members, feel a solution might be achieved if some country, uncommitted to any of the three and important enough to be able to push the three parties to an agreement, now "took a firm hand." German Chancellor Adenauer has been suggested as a moderator, particularly after his November talks in Bonn with Greek Prime Minister Karamanlis at which Cyprus was reportedly discussed. On the island, despite recent successes by the security forces against EOKA, increased violence may occur.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****20 November 1958****TUNISIAN ARMS CRISIS**

President Bourguiba's declaration of 13 November that he had sought arms from Czechoslovakia, Yugoslavia, and Sweden apparently was a tactical maneuver designed to demonstrate his freedom from Western domination and to express his personal irritation over press reports that France had been consulted on the Anglo-American sale of weapons.

Nevertheless, Bourguiba's irritation may be the beginning of a drift by Tunisia away from the West and at least a nod toward the Soviet bloc, because it will strengthen those advisers who have long urged that he abandon his pro-Western orientation for a policy of noncommitment. Bourguiba prefers Western arms--primarily American--and standardized military equipment, but he probably will make at least some purchases from other sources. Bourguiba told a news correspondent that he has already approached the Yugoslav and Czech governments for arms. Although Tunisia has a favorable balance amounting to \$300,000 in its trade with Yugoslavia, the Yugoslav chargé claims his government would not be interested in selling arms to the Tunisians.

Last May, Tunisia sought to buy light weapons from the

United States for four battalions--4,800 men. The Tunisian Army, equipped mainly with weapons airlifted by Britain and the United States a year ago, is estimated at 4,300 men, about a third the 12,500 which Defense Secretary Ladgham claimed in September. Bourguiba declared publicly on 13 November [redacted]

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[redacted] that his immediate goal is an army of 20,000 men--a figure which Ladgham implied was a long-term objective.

Bourguiba considers the equipping and training of a sizable army loyal to him essential both for prestige purposes and to counter the threat to Tunisian security implicit in the presence in western Tunisia of several thousand well-armed Algerian rebels. [redacted]

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[redacted] Since the coup in the Sudan, however, Bourguiba is convinced that an even greater menace may be developing on the Libyan frontier, where UAR agents cross to contact disgruntled Tunisians and Algerian rebel elements. [redacted]

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**THE FRENCH ELECTORAL CAMPAIGN**

With the approach of the 23 November first round of French parliamentary elections, practically all the non-Communist parties have proclaimed support for De Gaulle.

There are few indications of how voter sentiment will crystallize in the week preceding the decisive 30 November runoff. Key party leaders are watching the electoral situation

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in Algeria, where the failure of liberal European and nationalist Moslem candidates to file could result in the election of a rightist-oriented bloc holding the balance in the next National Assembly.

The campaigning has aroused little public enthusiasm, but heavy registration of new voters suggests that the voter turnout may still approach the normal level of over 80 percent. Although the strength of the new Gaullist groups--particularly Information Minister Soustelle's Union for the New Republic--cannot be closely predicted, most of the responsible French political commentators foresee the Socialist and rightist Independent parties mainly benefiting from the elections, and the Communist party as the primary loser. Guy Mollet has reportedly said that De Gaulle hopes for a large Socialist group in the assembly, presumably to facilitate "arbitration" by the first President of the Fifth Republic. Should the 71 deputies to be elected in the Algerian and Saharan elections from 28 to 30 November

prove predominantly rightist, however, the left-right balance might be seriously upset.

Guy Mollet also said he is receiving campaign funds from elements of the powerful and highly conservative Patronat (employers' association) which reportedly feels that a powerful Socialist bloc in the assembly would facilitate an early solution of the economically costly Algerian war. Mollet is nevertheless reported "very worried" over the political make-up of the Algerian candidates, particularly at the absence of any who differ from the army-settler line that the only possible Algerian solution is the integration of Algeria into France.

Independent leader Roger Duchet, however, is reported pleased with the prospect that most, if not all, the Algerian deputies will vote with the right. He says his party is taking measures to keep the new Moslem deputies, on their arrival in Paris, from "getting lost in shady hotels and coming under bad influences."

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**THREATS TO FANFANI'S CONTROL IN ITALY**

The stability of the Italian Government is increasingly threatened by opposition from the right wing of Premier Fanfani's Christian Democratic party and growing restiveness in two of the minor center parties on which his coalition depends. The possibility of new parliamentary support from the autonomists in the Nenni Socialist party--those advocating greater independence from the Italian Communist party--was raised by the increased strength shown by this faction following the 1958 national

elections. This prospect is now jeopardized by the campaign of the pro-Communist wing to gain control in the January party congress.

A public squabble in the Christian Democratic party has arisen over the recent formation of a new regional government in Sicily by a renegade Christian Democrat, Silvio Milazzo, with the support of both Communists and neo-Fascists. Following Milazzo's refusal to disband this coalition, Fanfani, as secretary general of the party,

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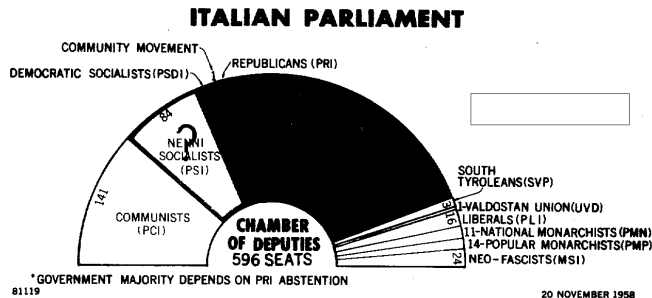
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announced Milazzo's expulsion. Thus far the Milazzo government remains in power, and Fanfani's left-wing party supporters are urging him to avoid similar measures against Milazzo's Christian Democratic colleagues pending regional elections in June. Despite the recent vote of confidence in Fanfani by the Christian Democratic Na-

are apprehensive lest the January congress of the Nenni Socialist party permit Fanfani to accomplish reform legislation in Parliament by providing him with either additional votes or reliable abstentions on key issues. This Socialist congress may see a showdown between Nenni and his pro-Communist opponents on the issue of

Socialist cooperation with the Communist party or support for Fanfani's center-left government.



An additional threat to Fanfani has arisen in some strengthening of the groups within the Democratic Socialist party which opposes the party's continuance in a Christian Democratic government.

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tional Council, his government remains in jeopardy. The Sicilian revolt is believed to have been engineered by such right-wing leaders as Mario Scelba and Don Sturzo. In the national Parliament, several Christian Democratic deputies voted against the government in recent secret ballots.

Like the Communists, the right-wing Christian Democrats

There is also increasing pressure within the Republican party to decide at its November congress not to join the government. It will probably continue to abstain, however, on critical votes where it could bring Fanfani down. Both parties are likely awaiting the results of the Nenni Socialist congress.

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**BRITISH-ICELANDIC FISHING DISPUTE RENEWED**

Public anger in Iceland over a new trawler incident on 12 November has wiped out for the time being any progress which may have been made toward a settlement of the British-Icelandic dispute over Iceland's attempt to enforce a 12-mile fishing limit.

The incident, which Icelandic Prime Minister Jonasson describes as the most serious

since the dispute began two and a half months ago, involved a British trawler which the Icelanders allege was within three miles of the coast. The trawler was apprehended by an Icelandic coast guard vessel, but was subsequently "rescued" by a British frigate, which reportedly threatened to sink the policing Icelandic gunboat if it repeated warning shots at the trawler.

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Prior to the incident, Icelandic Government officials had hinted they might accept a ruling of the International Court of Justice on the question, and had abandoned their efforts to seek a substantive decision in the UN General Assembly. This incident will, however, cause the government to adopt a more unyielding attitude and postpone any further moves toward a compromise solution. Iceland has sent a strong protest to Britain, is considering requesting a top-level NATO conference on the dispute, and may refer the incident to the UN Security Council.

The Communists, who are determined to prevent an amicable settlement of the issue in order to maintain tension between Iceland and its NATO allies, have demanded that Iceland withdraw its ambassador from London and place formal charges against Britain in the UN. The Labor Alliance (Communist) is able to exert considerable influence in the government through its two cabinet posts, which include the Fisheries Ministry.

There is some danger, however, that all the parties will

be tempted to curry public opinion by advocating extreme measures and an inflexible negotiating position in the dispute. Confronted by serious economic problems and uncertainty regarding the outcome of the struggle between the Communist and non-Communist factions in the impending Icelandic Federation of Labor (IFL) congress, the government parties may use the recent incident to distract public attention from the grave domestic economic problems facing the country.

Many Icelanders continue to expect the United States to take the initiative to break the deadlock with Britain, but are themselves unwilling to consider any compromise which does not recognize the legality of the 12-mile fishing limit which Iceland began enforcing on 1 September. A continuation of the deadlock increases the risk of their resentment being turned toward the United States and NATO as well, with the possibility of renewed agitation for the withdrawal of American forces from the NATO base at Keflavik.

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25X1**MALAYA PLANS TO CLOSE COMMUNIST BANK OF CHINA BRANCHES**

The government of the Federation of Malaya plans to introduce banking legislation at the December meeting of the legislative council which will make it virtually impossible for Malaya's two branches of the Communist-controlled Bank of China to operate. This step is designed to isolate Malaya's large Chinese minority from Peiping's influence and to curtail Communist economic penetration of the federation. It will be the strongest yet taken in

the government's antisubversive campaign. Passage of the legislation is virtually certain.

The Bank of China will be the only institution affected by the legislation, which will outlaw all banks controlled by foreign states. The law will probably allow the bank six months to terminate its business. The government is anxious for the action to be interpreted as legislation regulating banking and not as an anti-Communist

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move, probably because it has no firm evidence of subversive activities.

The Bank of China, Peiping's only official institutional front in Malaya, has apparently sought to avoid giving the government any pretext for moving against it. Peiping is expected to protest strongly in propaganda and perhaps formally through British channels.

Closing of the Malayan branches will hamper, but not stifle, Chinese economic activities in Malaya, since more than two thirds of Sino-Malayan trade is handled outside Malaya by the Singapore branch of the Bank of China. The action, however, is likely to increase Malay-Chinese racial tensions and may undermine the Malayan Chinese Association (MCA), the Chinese element in the ruling Alliance party. MCA identifi-

cation with this and other "anti-Chinese" government policies may hurt the party in predominantly Chinese districts in the general elections next August. Any substantial weakening of the already shaky MCA could seriously endanger the principle of Chinese-Malay political cooperation on which political stability in Malaya depends.

The government's action is apparently timed to avoid upsetting the Chinese community until after the holding of several key municipal elections on 6 December. Thereafter, the government probably hopes to placate the Chinese prior to the general elections in August. It is not yet known whether rumors concerning the government's forthcoming action have acquired enough credence in the Chinese community to hurt the Alliance party in December. [REDACTED]

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**INDONESIAN ARMY EXPANDING ROLE IN GOVERNMENT**

The Indonesian Army is planning to expand its role in government by placing more army personnel in key executive, legislative, and diplomatic posts. [REDACTED]

[REDACTED] The Communists can be expected to react to the prospect of increased army power by intensifying their efforts to undermine Nasution and arouse popular resentment against the army.

Both Nasution and Djuanda, apparently anticipating charges of an army coup, have emphasized publicly that there is complete understanding and co-

operation between military and civilian officials under present martial law, and they deny that a military dictatorship is imminent. Djuanda said that lack of such military-civilian understanding had led to army coups in neighboring countries. Nasution, in an address on 10 November, asserted that President Sukarno approved all actions taken by the military.

The Indonesian Army has operated under emergency powers since March 1957 and during this period has gradually increased its authority. During the past year, Sukarno has increasingly trusted and supported the army while at the same time displaying a growing distrust of the Communists. In addition to the broad power which it

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exercises under martial law, the army holds one cabinet post, has representatives in the National Council, and has recently assigned a high-ranking officer as consul general in Singapore, Indonesia's largest foreign mission and one

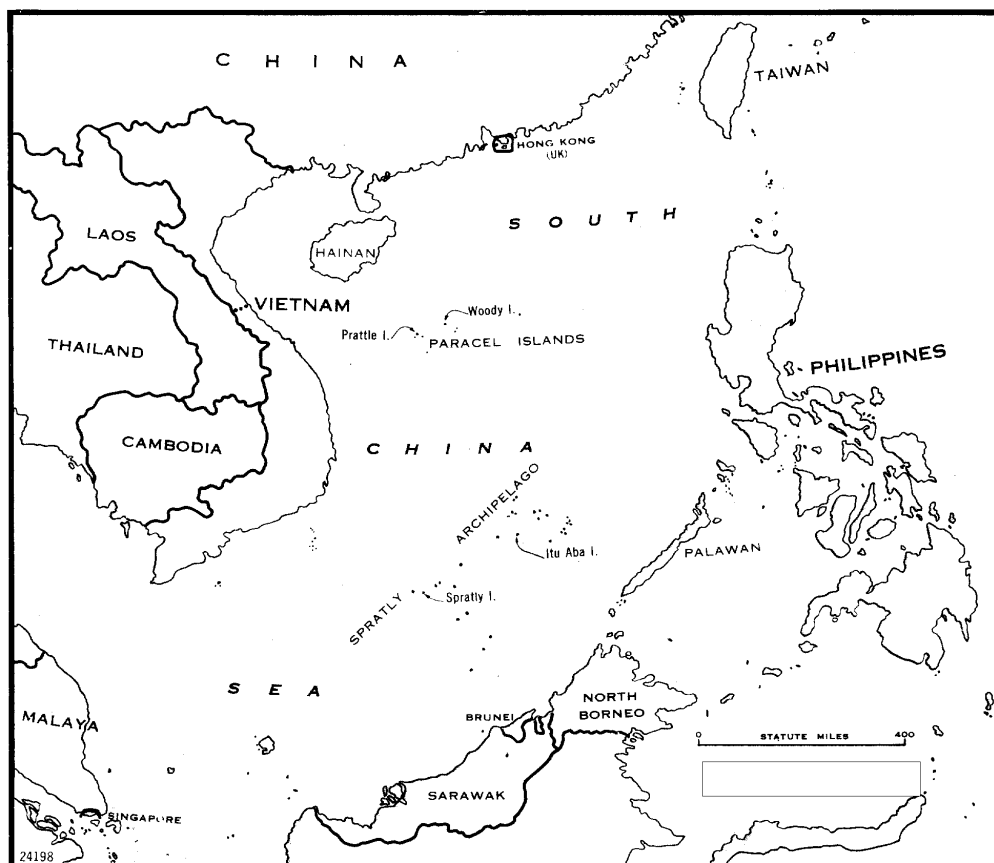
of its most significant. Although army powers stem from presidential decrees, its present broad authority points up the extent to which it is in fact already governing Indonesia.

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**PEIPING DISPATCHING FISHING FLEET TO ISLANDS IN SOUTH CHINA SEA**

Over 200 Chinese Communist fishing vessels manned by 1,000 fishermen will sail "shortly" from Hainan Island ports to "develop fishing grounds" in the Paracel and Spratly island groups, according to a 10 November report in a Communist-controlled Hong Kong newspaper.

The fleet will be furnished with radios and "other safety equipment," the article said. Administrative, supply, and navigation facilities will be established on the islands. The Chinese Communists have not mentioned any naval escort for the fishing fleet.



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In its declaration of 4 September announcing the 12-mile limit, Peiping reiterated its claims to the Paracels and Spratlys, as well as to other island groups in the South China Sea. Nationalist China and South Vietnam also lay claim to both groups, while France has asserted sovereignty over the Spratlys. A Philippine national, Tomas Cloma, has claimed several islands of the Spratly group on behalf of his government.

At present there is a reinforced platoon of Chinese Nationalist marines numbering less than 100 men on Itu Aba, largest of the Spratlys. They are believed to be armed with heavy machine guns and light artillery. South Vietnam has a token garrison of some 30 men on Prattle Island in the Paracels, and has augmented this force in past crises. The Chinese Communists have maintained a group of guano gatherers on Woody Island, largest of the Paracels, since December 1955. In January 1957 the Vietnamese fired on a Chinese Communist fishing boat, thereby drawing a protest from Peiping.

The islands occupy a strategic position in the central South China Sea, but they have

no significant economic value, and none is large enough to permit construction of an airfield or other sizable installation. The largest island in each group--Itu Aba and Woody--is less than a mile long and only about a half mile in width. While the Japanese did maintain a small naval base on Itu Aba during World War II, the primary value of the islands would be for observation and meteorological uses.

Peiping's announcement of its intention to dispatch the fishing fleet could be a challenge to the other claimants, who may be expected to react sharply. The Chinese Nationalists may respond, as in the past, by sending warships to protect the Itu Aba garrison and contest the Chinese Communist maneuver. Vietnamese President Diem, who firmly believes the Communists respect only force, has been alert to any Chinese Communist probing operations against South Vietnam since the Taiwan Strait crisis developed.

If the Chinese Communists actually conduct the operation, their action could result in clashes with South Vietnamese or Chinese Nationalist naval units.

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**ARGENTINE POLITICAL CRISIS EASES**

Argentine President Frondizi's position has been strengthened by firm endorsement from the military in the face of attacks on his petroleum and labor policies and on his declaration of a 30-day state of siege on 11 November aimed at suppressing Communist and Peronista manipulation of labor unrest. With this tactical advantage,

the administration is trying to smooth over internal stresses, as seen in its handling of Vice President Gomez' resignation on 18 November, and to mollify various opposition complaints which could undermine the regime.

Living costs, which have risen some 40 percent during the past year, have caused increasing

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unrest among all labor elements. Moves toward a general strike have seemed inhibited mainly by political factors involving competition between pro- and anti-Peronista labor factions for control of the trade union movement. The three-week strike by Peronista oil workers in Mendoza, an attempt to force cancellation of government petroleum development contracts with American firms, failed to win nationwide support mainly because its emphasis was political.

On the other hand, a Peronista-initiated general strike effort on 10 October based purely on wage demands was so appealing that anti-Peronista leaders felt compelled to call a simultaneous strike to maintain discipline within their union.

This situation and the confused labor situation revealed by the defiant Mendoza strikers may prompt the government to modify its trade union policies, besides limiting agitation during the temporary state of siege. The basic labor law of last August tended to favor "soft" Peronistas--including some of the oil strikers--who Frondizi hoped would help win over support from

other former followers of Peron. The law allows considerable latitude in administrative regulations, which may in the future reflect more the complaints of anti-Peronistas.

Some government concessions on wages and price controls over essential commodities may be required in accordance with negotiations ending the recent strikes and strike threats. Such concessions may handicap somewhat the efforts to counter inflation and to attract necessary foreign financial assistance and investment.

The government faces strong pressure to publicize current petroleum contract negotiations, the main one being a \$700,000,000 proposal by a US group. The pressure stems in part from cynicism regarding possible corruption and fear in some quarters that Peron might use this means to reinvest funds in Argentina. While the political crisis helped delay signing this contract and caused political strain within the administration party, Frondizi's decisive handling of this crisis may have won him new support in tackling the country's serious problems.

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**THE NEW LOPEZ MATEOS ADMINISTRATION IN MEXICO**

When Adolfo Lopez Mateos is inaugurated for a six-year term as President of Mexico on 1 December, he will face more than normally heavy conflicting pressures. Important business, labor, and Communist groups which enthusiastically supported his choice as candidate by Mexico's ruling party now fear he will restrict their particular activities far more than retiring President Ruiz Cortines has done.

Although he probably prefers to continue the moderate policies of his predecessor, Lopez appears determined to use the exceptionally broad powers of the Mexican presidency to restrict any special interests which threaten the nation's stability and economic development. His success as minister of labor from 1952 to 1956 proved his skill in satisfying disparate demands with firmness and judicious concessions.

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Lopez' main problem will be labor, where pressures for long overdue wage increases have caused serious strikes during the past year. Workers'



LOPEZ MATEOS

resentment against many corrupt, dilatory leaders in the government-dominated labor movement has weakened the ruling party's labor sector and contributed to the growing power of militant leftist and Marxist dissident leaders in key unions. Lopez Mateos has indicated he recognizes the danger of these Communist influences and will deal firmly with them, although, like most Mexican leaders, he does not consider Communism a serious threat.

While satisfying wage demands, the new President will

need simultaneously to reassure domestic and foreign investors, whose apprehensions over the labor situation have restricted the industrial expansion needed to compensate for reduced prices and demand for Mexico's chief exports: cotton, coffee, and minerals. Talk of devaluation of the peso to offset decreased foreign exchange reserves is also curtailing business activity, and Mexico is requesting a substantial loan from the United States to help strengthen the economy.

There are indications that Lopez Mateos may inaugurate cautious changes in the extremely centralized one-party political system to make it more responsive to the articulate middle-class groups emerging from Mexico's rapid economic progress. Despite Lopez' popularity, his arbitrary nomination by the outgoing President--a traditional practice--caused serious internal party rifts which have not been reconciled.

Lopez is not expected to make any significant shifts in foreign policy. His chief adviser recently said that Mexico is committed to the free Western world. A traditional desire to demonstrate its independence will not seriously affect Mexico's basic friendliness toward the United States.

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PART III

PATTERNS AND PERSPECTIVES

SATELLITE ECONOMIC RELATIONS WITH THE FREE WORLD

The European satellites, particularly Czechoslovakia, play a significant role in the Soviet-sponsored economic offensive in the free world. They account for more than 50 percent of all Sino-Soviet bloc credits and grants drawn on by underdeveloped countries. Furthermore, satellite trade with these countries in 1947 totaled almost \$1 billion--more than half of all bloc trade with these areas. In view of the satellites' need for agricultural and industrial raw materials and the underdeveloped areas' complementary need for low-cost industrial equipment, economic relations between these two groups probably are likely to continue to grow.

Since the start of the bloc economic offensive, the European satellites have extended almost \$825,000,000 in credits to the underdeveloped countries of the free world. The satellites usually extend small credits, often to finance a single project. More than half the aid extended by the satellites is in the form of arms, for the most part made available rapidly from stockpiles.

The goal of expanded trade with the free world, long expressed in satellite propaganda, has in recent years been realized, especially with the underdeveloped countries. Trade with both industrial and underdeveloped countries increased in the 1954-57 period, but trade with the latter group has grown more rapidly.

Although the requirements of the bloc have prior claim,

significant gains have been and will continue to be made in exporting to underdeveloped areas, particularly where the Soviet-directed offensive is able to achieve political gains. However, the development of satellite trade with these areas appears motivated more from the standpoint of pure economics than do similar Soviet activities.

The satellites, chiefly Czechoslovakia, have discovered that trade with underdeveloped countries offers an opportunity for mutual profit. Satellite industrial equipment and other goods which do not meet the specifications of West European markets are quite acceptable in these areas; moreover, the underdeveloped countries need many basic industrial plants which the satellites can provide at a relatively low cost.

It is too early to determine whether recent coordinated bloc efforts to improve specialization will make the satellites more efficient competitors on the world market. Plans for increasing production may result in a short-term increase in trade with the developed countries. When the program is completed, however, intra-bloc trade will again expand at the expense of trade with the West--but not the underdeveloped countries.

Czechoslovakia

Czechoslovakia has extended \$570,000,000 in credits to underdeveloped countries--about two thirds of all satellite aid.

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The United Arab Republic, Afghanistan, India, and Indonesia have been the principal recipients. Although arms deals comprise over 60 percent of the Czech aid program, the financing of development projects has become increasingly important. Since 1956 Prague has emphasized the export of complete industrial plants, which in turn creates a need for technical assistance and provides for future economic cooperation with the recipient countries.

Almost half of the major projects awarded the European satellites by underdeveloped countries have gone to Czech organizations. Prague has shown considerable willingness to strengthen economic relations with these countries by extending long-term, low-interest loans, often repayable in commodities rather than hard currencies. These countries, now developing their industrial sectors, will be the primary target for the expansion of Czech trade because they are sources of agricultural goods and raw materials, as well as markets for capital and consumer goods.

Czechoslovakia's trade with nonbloc nations rose to one third its total foreign trade in 1957, mainly because of its trade with underdeveloped countries. Revised Czech economic development plans reveal that foreign trade will have to make up for domestic deficiencies in raw materials and fuels. However, Czech dependence on the USSR for raw materials and fuel

and required priority deliveries to other bloc members set definite limits to the expansion of Czech trade with the West.

Poland

Poland, second among the satellites in the amount of aid extended to the free world, has granted about \$190,000,000 in economic and military credits to underdeveloped countries since 1956. Warsaw extended the bulk of these credits this year to Indonesia--about \$160,-

**BLOC CREDITS AND GRANTS  
TO UNDERDEVELOPED COUNTRIES OF FREE WORLD**  
( MILLION DOLLARS )

	1954	1955	1956	1957	1958 ( JAN-OCT )	1958 ( NOV-DEC )
<b>USSR</b>	5.8	136.3	534.2	406.1	400.3	1,482.7
<b>EUROPEAN SATELLITES</b>	5.0	264.9	188.7	79.2	287.1	824.9
<b>BULGARIA</b>	—	—	3.7	1.5	—	5.2
<b>CZECHOSLOVAKIA</b>	5.0	255.5	157.3	72.0	79.6	269.4
<b>EAST GERMANY</b>	—	9.4	1.8	5.7	27.2	44.1
<b>HUNGARY</b>	—	—	0.2	—	—	0.2
<b>POLAND</b>	—	—	24.7	—	162.3	287.0
<b>RUMANIA</b>	—	—	1.0	—	18.0	19.6
<b>COMMUNIST CHINA</b>	—	—	39.7	20.0	43.6	203.3
<b>TOTAL</b>	10.8	401.2	762.6	505.3	731.0	2,410.9

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000,000, including \$120,000,000 for the purchase of arms. Even more than Czechoslovakia, Poland, which has had to seek economic aid from the West, has a basic economic rather than political motive for extending foreign aid.

Poland, trading primarily with industrial countries, ranks after Czechoslovakia and East Germany in trade with the free world. Present policy calls for an increase in this trade,

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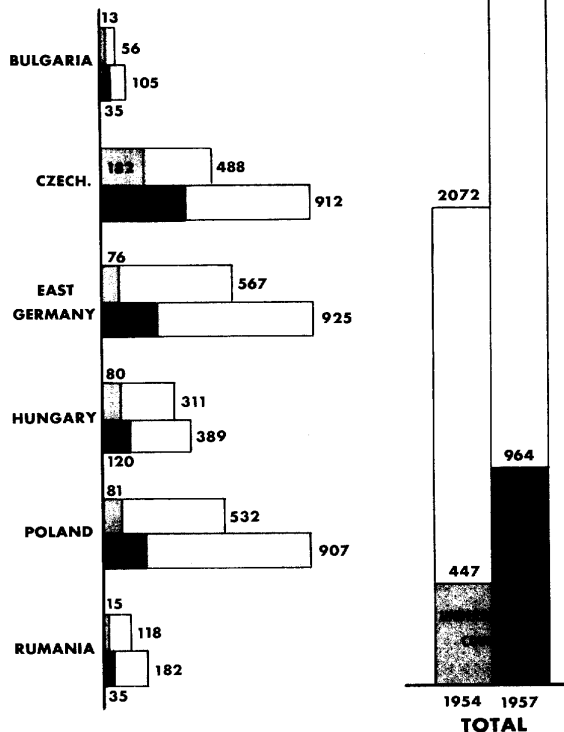
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particularly with underdeveloped countries. Although semifinished steel products accounted for one third of Warsaw's 1957 exports to underdeveloped countries, Polish planners believe the bulk of future exports should be machinery, industrial equipment, and transportation equipment. Such exports would

trade in Western Europe, however. Demand has declined for certain Polish products--coal, other raw materials, and meat products--and prices have fallen for some major exports. Furthermore, difficulties in marketing its machinery and the exhaustion of most of its sources of credit in the West pose additional problems for Poland.

**ESTIMATED TRADE OF  
EUROPEAN SATELLITES WITH FREE WORLD**  
( MILLION DOLLARS )



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**East Germany**

East Germany accounts for only 5 percent of the total satellite aid program. With the exception of a \$20,000,000 credit to the UAR, only short-term commercial credits have been extended. East Germany, however, often acts as subcontractor on projects awarded to other members of the bloc.

During the past three years the percentage of East Germany's trade which is with the free world has remained stable at about 25 percent. One of the key objectives of the East German trade program in the free world is the penetration of markets in underdeveloped and uncommitted countries. Trade with these areas would be mutually advantageous economically, inasmuch as East Germany needs raw materials and food items and can provide machinery and engineering products in return. Politically, these countries represent the most vulnerable target for East Germany's drive for recognition in the nonbloc world.

complement imports from underdeveloped countries which consist almost entirely of raw materials and agricultural products.

Trade with nonbloc countries is expected to rise to about 45 percent of the total in 1958. Warsaw is encountering difficulties in expanding

materials and food items and can provide machinery and engineering products in return. Politically, these countries represent the most vulnerable target for East Germany's drive for recognition in the nonbloc world.

Policy announcements indicate that trade with underdeveloped areas is to play a

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more important role in over-all East German plans. Last year trade with Egypt more than doubled and trade with India increased by about 70 percent over the 1956 level.

Trade with industrialized West Germany has become increasingly more important. By 1957 interzonal trade accounted for more than half of that with all other Western states.

Hungary, Rumania, Bulgaria

The other European satellites account for an insignificant portion of satellite aid to underdeveloped countries. With rare exceptions, such as the \$18,000,000 Rumanian loan to India, the aid extended has usually been in the form of small, short-term credits to finance specific projects. Hungary, Rumania, and Bulgaria together account for only 20 percent of total satellite trade with underdeveloped countries.

A considerable reorientation of Hungarian trade occurred after the October 1956 revolution. Heavy imports of goods--primarily from the Soviet bloc--were required to meet urgent needs of the Hungarian economy and to enable Budapest to shift its trade from the industrial countries of Western Europe to underdeveloped areas of the free world. Hungarian trade with underdeveloped countries in 1957 rose to about 30 percent of its nonbloc trade.

Hungary will have to achieve a further increase in foreign trade to meet its heavy schedule of debt repayments, which begin in 1959, if it is to maintain its present standard of living. The free-world market for Hungarian machinery has deteriorated this year, and the country now is selling more of its manufactured goods in the bloc. The outlook for next year is not too promising because Hungary is heavily dependent on agricul-

tural exports and, according to officials in the Foreign Trade Ministry, the grain market has developed unfavorably for Hungary.

In its trade with nonbloc countries, Rumania deals primarily with Western Europe. Trade levels with Western Europe are expected to stay high, since Rumania intends to place orders there for industrial equipment totaling up to \$100,000,000.

Rumania's present contribution to satellite economic penetration efforts in underdeveloped countries is minor, since only about one fifth of its 1957 nonbloc trade is with those countries. However, Bucharest has a steadily increasing export potential for such important development items as complete oil refineries, oil-well equipment, cement mills, rolling stock, and tractors.

In recent years Bulgaria's trade with nonbloc areas has been about 15 percent of total trade, a percentage expected to be maintained during the present Five-Year Plan period (1958-62). In absolute terms, however, Sofia's participation in such trade will increase significantly as its foreign trade continues to rise.

Western Europe still remains the largest nonbloc trading area for Bulgaria, but its share is diminishing. Trade with the underdeveloped areas has been steadily increasing since 1956, primarily with the UAR and the Sudan. The new Five-Year Plan foresees a continued development of Middle Eastern trade, primarily with the UAR.

Outlook

Satellite economic relations, particularly trade, with the underdeveloped countries of the free world will continue

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to develop in the coming years. Attempts on the part of the satellites to finance industrialization in the underdeveloped countries on a short-term basis will probably increase. Although principally motivated by the economic benefits of

their trade and aid activities in the underdeveloped countries, the satellites perform an important role in the Soviet plan to extend the bloc's political influence in the free world.

(Prepared by ORR)

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**WEST GERMANY'S ECONOMIC INTEREST IN FREE ASIA**

Bonn's growing economic interest in the non-Communist countries of South Asia and the Far East is reflected in Vice Chancellor Erhard's trip through the area from 3 October to 8 November. Erhard has a new plan for expanding German markets in

ernment fund to guarantee private investors against the risks of currency exchange fluctuations and political instability.

Asian Trade

Although the non-Communist countries of the Far East and South Asia account for only 7 percent of Bonn's trade, exports to that area increased 32 percent from \$551,000,000 in 1956 to \$730,600,000 in 1957. Over the same period, exports to the Western European area increased only about 13 percent. German exports to Japan almost doubled in 1957 and exports to India increased 36 percent. In contrast, German exports to France rose by only 15 percent and exports to the Netherlands--Bonn's leading market--increased only 12 percent. Prior to Erhard's departure, Bonn's leading foreign trade journal characterized German trade with Europe as "stagnating" as a result of the recent economic slowdown and attributed the increases in total German foreign trade primarily to expanded trading with "the developing countries."

Bonn's increasing exports to free Asia, however, have not



ERHARD

underdeveloped areas which would increase West Germany's expenditures for technical assistance but would emphasize the promotion of private investments abroad, mainly through establishment of a \$420,000,000 gov-

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been compensated by an increase in imports. Because of exchange shortages in this area, West Germany is becoming a large creditor for this area as well as for Europe. One of Erhard's purposes was to investigate means by which "the developing countries" could increase exports to Bonn.

**Erhard's Trip**

Erhard's five-week journey, which followed his attendance as Bonn's principal representative at the New Delhi meeting of the International Monetary Fund, took him to Burma, Thailand, South Vietnam, South Korea, Japan, and Pakistan, as well as India. While describing his trip as a "fact-finding" mission, he frequently pointed out that Bonn would consider grants in aid only in exceptional cases. He recommended that private foreign investment be sought to improve the quality of raw material exports. This would stimulate a demand for these materials in the industrialized countries.

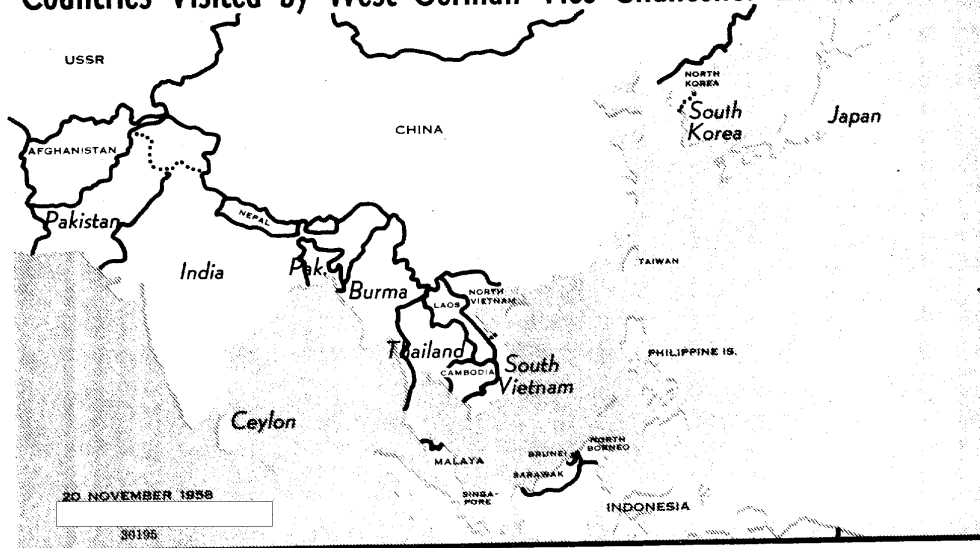
Erhard repeatedly stressed that the developing countries

in Asia could not expect investments by private German firms without some assurances that German experts could exercise managerial control. He openly criticized restrictions against foreign investors holding more than half of the capital of their corporations. In connection with protection of foreign investments, Erhard pointed to confiscated German assets which are still frozen. He has been under pressure from many German investors to settle this question before they will consider expanding overseas investments. In India and Burma, Erhard received assurances that German assets would be returned.

**The Erhard Plan**

Prior to his departure, Erhard indicated the broad outline of a new German economic policy toward the developing areas. He will apparently use the high-level discussions which he held during the trip as the basis for formulating the details of the "Erhard Plan" for presentation to the legislature.

The plan is consistent with Erhard's economic philosophy of

**Countries Visited by West German Vice Chancellor Erhard****SECRET**

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encouraging private initiative placing government in a secondary but effective supporting role. As a first step Bonn would extend the government-sponsored insurance guarantee on export credits to include guarantees against political risks on private investments abroad. Acting through the Hermes Credit Insurance Corporation, Bonn's guarantee would apply to over 80 percent of the value of the transaction.

Erhard indicated that the government would establish a \$420,000,000 fund for these guarantees. The fund would probably be raised by floating a loan on the German market at an attractive interest rate.

Under the plan Bonn would also consider government-to-government financial aid, although Erhard prefers to consider only loans and no outright gifts. The pattern for this program has been established in India and more recently in Greece.

During Erhard's stay in New Delhi, he confirmed Bonn's intention of granting India a \$100,000,000 development loan, repayable starting in 1964. During Greek Prime Minister Karamanlis' visit to Bonn, Athens was granted \$71,600,000 in economic aid, including a direct loan of \$47,000,000. Bonn will also continue its bilateral programs of technical assistance grants, which to date total \$23,000,000, in addition to contributions to the UN Technical Assistance Fund. Immediately after his return to Bonn, Erhard called for an increase in Bonn's budget for technical assistance from \$12,000,000 to \$48,000,000.

Under the Erhard plan, the primary emphasis in government aid will continue to be on multilateral financing through international or regional institutions. To date Bonn has contributed or committed about three billion dollars to international organizations for foreign economic assistance, compared with about \$800,000,000 in economic assistance outside of these organizations.

Although German industry has been seeking government guarantees of foreign investment for some time, the Erhard plan has aroused no enthusiasm in busi-

**WEST GERMAN TRADE WITH ASIA**  
(MILLION DOLLARS)

	1956		1957	
	EXPORTS	IMPORTS	EXPORTS	IMPORTS
Afghanistan	8.4	3.7	4.4	7.8
Burma	14.5	3.7	15.2	4.6
Ceylon	8.0	12.6	9.2	12.1
Nationalist China	6.8	3.2	8.0	2.9
Communist China	37.1	53.2	47.6	41.2
India	195.4	45.1	268.4	60.1
Indonesia	68.3	77.7	73.9	79.7
Japan	61.9	28.6	111.7	54.4
Cambodia	1.7	1.0	2.3	.9
Laos	.7	--	1.3	--
South Vietnam	9.5	.8	17.0	2.0
Malaya/Singapore	30.0	63.2	30.1	52.7
Pakistan	29.6	28.7	39.4	31.4
Philippines	19.5	45.4	27.3	51.7
Thailand	21.8	7.2	27.4	8.6
South Korea	13.7	1.5	16.2	.9
Other	24.5	21.6	31.2	22.0
<b>TOTAL</b>	<b>551.4</b>	<b>397.2</b>	<b>730.6</b>	<b>433.0</b>

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ness circles. Economic observers have pointed out that private German capital for foreign investment is limited by the financial burdens resulting from World War II, such as the London Debt Agreement and the restitution to Nazi victims, as well as by the burden of German rearmament.

**Political Implications**

West Germany's political ambitions in Asia are relatively

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modest. Erhard's trip was primarily oriented toward strengthening economic ties in the area. Bonn officials regard the Far East as an area too remote for exerting a decisive influence on the main German political problems, such as unification. Bonn's intention is to build up a reserve of good will in the area by expanding investments and technical aid while at the same time securing considerable economic advantage in terms of increased trade. German officials feel it is in Bonn's interest to maintain good relations with non-European countries, looking toward

the day when there might be an international commission on the German problem.

In the context of the cold war, however, Bonn now seems more inclined to play an active role in competing with Soviet bloc countries in the less developed areas. Erhard has publicly stressed that Europe has a vital interest in demonstrating to these areas that development of a "liberal" economic system offers a more attractive way of raising the standard of living than the totalitarian methods of the Communist bloc, particularly Communist China.

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## POLITICAL TRENDS IN TROPICAL AFRICA

The surge of nationalism in Africa has carried the demand for political change into areas heretofore relatively untouched by such agitation, greatly intensifying pressure on the colonial powers to give their dependent territories freedom earlier than had been envisaged or at least to revise the ties between metropole and colony. Simultaneously, the appeal of regional identification and policy coordination is growing among the four independent African states.

The Independent Nations

While no new state was created in Africa south of the Sahara in the 26 years preceding Ghana's independence in 1957, Guinea won its freedom in 1958 and at least four territories--Togo, Nigeria, Cameroun, and Somalia--are scheduled for independence in 1960. In the four

independent tropical African nations--Liberia, Ethiopia, and particularly in Ghana and Guinea--the essentially one-party governments face the problems of consolidating central authority over regions of varying cultures and of eliminating traditional tribal influences which stand in the way of modern administration. These nations lack trained administrators and technicians, and yet, because of previous colonial experiences or contacts with imperialist powers, they distrust non-African advisers.

In Ghana, the effectiveness of the opposition has been virtually destroyed by its own ineptness and by Prime Minister Nkrumah's success in neutralizing the influence of the formerly powerful tribal leaders. The Accra government probably furnishes a valid pattern of the results to be expected from the imposition of European

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parliamentary democracy on the African socio-political setting.

Guinea's Premier Sekou Toure, an astute African politician, has had considerable experience as a labor union leader, including dealings with the Communists, but he has had only brief training in administration, economics, and finance. At present, the inexperienced Guinea officials are almost overwhelmed by the complexities of modern government in the face of a general withdrawal of French administrators, techni-

cians, and teachers. Toure, despite his keen disappointment at the initial reluctance of Western nations to accord him diplomatic recognition, reportedly has refused Communist offers to furnish teachers. He has, however, concluded with East Germany cultural and trade agreements which provide markets for Guinea's economic mainstays until the planned mineral processing industries are established.

The older independent states of Ethiopia and Liberia,

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politically stable under semi-dictatorial rule, face the problems of tightening the central government's control over outlying areas, ensuring a peaceful succession upon the death of the incumbents, and broadening the tribal representation in the government. Furthermore, both nations need extensive assistance in economic development. Each now seeks closer association with emerging African nations and abandonment of its traditional policies of virtual isolation from the remainder of tropical Africa.

**Dependent Areas**

In the colonial areas, which still include a majority of both the area and population of Africa south of the Sahara, nationalism is rampant, although in the Portuguese and Spanish spheres repressive official policies have prevented a rapid growth of indigenous political activity. Increased African restiveness with colonial rule appears inevitable as the accelerating pace of urbanization and education brings more persons--free of tribal restraint and protection--into contact with anticolonial political propaganda and creates frustrations arising from racial and economic discrimination.

In French Africa, the drive for freedom, stimulated in 1956 by the basic reform acts offer of virtual local self-government, will be spurred by the new opportunities offered by the De Gaulle constitution. Africans in the British colonies see Ghana and Nigeria as precedents for freedom for almost all dependent British areas, while Belgium too is implementing minor reforms and studying the future relationship between metropole and colony. The tribesmen of the Italian trust territory of Somalia are assured independence in 1960.

**French Africa**

The French trust territories of Togo and Cameroun, in recent years in the forefront of political advance in French Africa, are both scheduled for independence in 1960 if the UN approves. Premier Olympio in Togo apparently desires only limited ties with France, although he might associate with the new French community to be established in a few months. Too small to exist independently, Togo is likely to find its main problem is its neighbors. It fears loss of identity in a federation with Ghana and distrusts Paris' role should it associate with some nearby French area.

On the other hand, Cameroun's Premier Ahidjo favors stronger ties with France and might request Paris to handle Cameroun's foreign affairs, defense, currency, and economic development. Cameroun, with greater economic and geographic viability than Togo, faces a serious problem in the deep-rooted rivalry between a conservative Moslem north and a south which is developing a strong Christian tradition and has evolved further politically. Fear of losing northern political support has forced Ahidjo to proceed cautiously in reaching agreement with Paris on independence for Cameroun; yet he must move fast enough to satisfy the nationalists who might otherwise support the extremist Communist-influenced movement which has carried on guerrilla warfare for about three years.

The 13 other territories of French Tropical Africa which voted their approval of the new French constitution--Madagascar, Somaliland, and the Federation of Equatorial Africa and West Africa--are in a different category. De Gaulle's constitution provides for a blanket

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organization, the French Community, which will embrace French territory on a world-wide basis. Each territory must soon choose its form of association. Many are likely to follow the example of Madagascar and proclaim themselves republics within the community. Thus they would gain control of local affairs, but would cede authority in foreign affairs, defense, and economic matters to Paris acting in the name of the community.

A major difficulty for France is likely to arise in the seven remaining territories of the Federation of French West Africa, in which the present form of interterritorial government intermediate between Paris and the local areas seems headed for dissolution. Two territories--the rich Ivory Coast and non-Negroid Mauritania--want direct ties with France. The influence of Guinea's Sekou Toure is strong among many nationalist leaders who would like independence but fear the end of French economic aid. The nationalists are divided between two main parties with opposing policies and rival leaders. The tribal and economic disunity of West Africa adds to the confusion.

British Africa

Among the British areas, the West African territory of Nigeria appears closest to independence, although basic economic, political, and social problems remain unsolved. British and Nigerian leaders at a recent conference in London agreed on the date for independence which will be October 1960. They also decided on the control of the police and on several financial problems. They have not been able, however, to guarantee Nigeria's postindependence unity or political stability. Here again, while rival political leaders with tribal backing from culturally distinct areas aspire to national leadership, they have not as yet been able to form even semieffective coalitions.

In Sierra Leone, political evolution has been slowed by the marked contrast between the Creole minority on the coast and the less advanced Africans of the hinterland. Nevertheless, constitutional development has speeded up, and the small protectorate now has its own prime minister and considerable local self-government.

The progress toward independence of the Federation of Rhodesia and Nyasaland has been retarded by the racial problem. The European settlers, although outnumbered thirty to one, control the government and the economic and social life with a minimum of control by Britain. London's veto power irritates the European electorate, and the demand is growing for complete independence and Commonwealth membership in 1960.

London, on the other hand, recognizes the area's present political stability but does not trust the settlers with unfettered control over race relations. The governing party, under the leadership of Sir Roy Welensky, is officially pledged to racial partnership, but European sentiment has recently become firmer against rapid advancement for the Africans, and liberal elements are being repudiated. In the June elections in Southern Rhodesia, a segregationist party made significant gains and a relatively liberal party was repudiated; in the federal general elections of 12 November the governing middle-of-the-road party won an appreciable victory, but a multiracial party did not win any seats and the segregationists scored moderate gains.

In British East Africa, where the problem of African nationalism is often aggravated by the racial situation, political agitation is growing rapidly, and native leaders have already discussed joint action throughout all of British East Africa.

The European settlers of Kenya, a strongly intrenched minority of the population, have

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resisted African efforts to gain a larger share in government, and London has not been willing to ignore settler interests and satisfy the demands of African nationalists. As a result, the political and internal security situation in Kenya continues to deteriorate. The Africans, led by Mboya and Kiano, have grown in political acuteness and have managed to maintain the semblance, at least, of a united front. Currently boycotting participation in both the government and the legislative council, they may plan to resign from the legislature en masse in an effort to force Britain to call a round-table constitutional conference to review the situation in Kenya and to increase African influence.

Uganda's nationalists previously had shown growing strength in their drive for early independence, but wrangling among the Africans, including the disruptive efforts of a local ruler to gain influence, have seriously set back their efforts. In the trust territory of Tanganyika, meanwhile, nationalists led by Julius Nyerere have shown such surprising strength and political organization in recent legislative elections that Britain may grant independence as early as the mid-1960's.

**Belgian Africa**

The Belgian Congo, long void of any significant nationalist activity, now is undergoing growing political agitation. Racial disturbances in Leopoldville in June 1957 showed that some African discontent lay beneath the surface. Since then, elected African municipal officials have dared to criticize Belgian policies publicly, several groups have published manifestos demanding a date for Congo independence, and small nationalist movements have been reported active in the mineral-rich Katanga area. Concerned over the growth of discontent, Brussels has appointed a study group to inquire into future relations between Belgium and

the Congo; however, six African tribal organizations have refused to cooperate with the group because of its nonrepresentative nature.

**Somali Areas**

In the Horn of Africa, rising Somali nationalism is a threat to Ethiopia and a challenge to the West. The present moderate Somali Government in the Italian trust territory is under growing attack from the extremist Greater Somali League, headed by a pro-Egyptian, Hagi Mohamed Hussein. Hagi Mohamed has been exploiting traditional tribal hatreds and appealing to Somali nationalism by demanding a union of all the 2,500,000 tribesmen scattered throughout five national jurisdictions in the Horn. He is reportedly gaining adherents, and may pose a serious threat to Western interests in forthcoming legislative elections.

Somalia's obtainment of independence in 1960 will raise the problem of economic aid, since the territory has virtually no developed resources. While several Western nations have expressed willingness to contribute to the nation's budget, Somalia's need for economic development may furnish the USSR and the UAR with an opportunity to expand their influence.

Somali nationalism threatens to raise serious problems for Britain and France in their Somaliland enclaves. London has just formulated reforms to speed up the protectorate's political evolution, including legislative participation by Somali tribesmen in order to better prepare the inhabitants for probable union with Somalia after 1960. Paris, on the other hand, has shown no willingness to yield strategic Djibouti to a new Somali state. The nationalist Somali premier of French Somaliland has recently been ousted by Paris, and new elections are scheduled.

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